

Of all the threats to your financial security none is more dangerous than debt. Indeed, there are ominous signs that indicate consumer debt is a serious problem in the United States. In fact, personal bankruptcies exceed one million and total consumer debt now exceeds \$1 trillion.

Overcharging is the primary cause of credit problems. However, there are some other common credit mistakes that can work against you financially.

## **1. NOT KNOWING YOUR INTEREST RATE AND FEES.**

Fees vary widely among loans and credit cards. Always make sure you know what the rate and annual fees are before you accept the card or the prepaid finance charges and rates for loans. If you have existing cards or loans, check the rate you're paying and if it's high, shop for a card or loan with a lower rate.



## **2. RAISING CREDIT CARD LIMITS.**

If you use credit cards, avoid raising your limit. An increased limit is merely an increased temptation to buy. Many companies notify you that they are raising your limit. Take such notices as a warning signal. If you're such a good customer the card company wants more, chances are you've been using your credit card for more than emergencies! To refuse an increase simply call or write the card company and say, "Thanks, but no thanks."

## **3. STRETCHING OUT A LOAN TO GET LOWER PAYMENTS.**

When using an installment loan, people often stretch out the life of the loan. Their objective is lower monthly payments, but the result is higher interest charges over the life of the loan. You should always select the shortest payment period possible to avoid overpaying. If making the payment will be a struggle, ask yourself whether the loan is really a good idea.

## **4. NOT VALUING YOUR CREDIT.**

Good credit is a valuable commodity in today's economy. Bad credit, including a bad credit record, late payments, etc. can create a negative financial profile that can surface when you have a legitimate need to borrow. For example, abusing short term credit obligations can cause a mortgage lender to reject your application for a home mortgage.

## **5. ALLOWING A NEED FOR STATUS TO OVERRULE COMMON SENSE.**

Most credit card companies now offer a "status" card, targeted to the consumer's desire to have the very best of everything. Beware, such "status" cards often have higher credit limits, more frills and the highest annual fees - from \$75 to \$100. Avoid paying extra for status.

These common mistakes could cost hundreds of dollars - dollars you could be using to build future security.

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The Indiana Department of Financial Institutions,  
Division of Consumer Credit has many other  
credit related brochures available, such as:

Answers to Credit Problems  
Applying for Credit  
At Home Shopping Rights  
Bankruptcy Facts  
Buried in Debt  
Charge Card Fraud  
Choosing A Credit Card  
Co-Signing  
Credit and Divorce  
Deep in Debt?  
Equal Credit Opportunity  
Fair Credit Reporting  
Fair Debt Collection  
Gold Cards  
Hang up on Fraud  
High Rate Mortgages  
Home Equity Credit Lines  
How to Avoid Bankruptcy  
Look Before you Lease  
Mortgage Loans  
Older Consumers  
Repossession  
Reverse Mortgage Loans  
Rule of 78s – What is it?  
Shopping for Credit  
Using Credit Cards  
Variable Rate Credit  
What is a Budget?  
What is the DFI?

Call our toll-free number or write to the address  
on the cover for a copy of any of the brochures  
listed or for further consumer credit information.



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# FIVE COMMON CREDIT MISTAKES TO AVOID



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